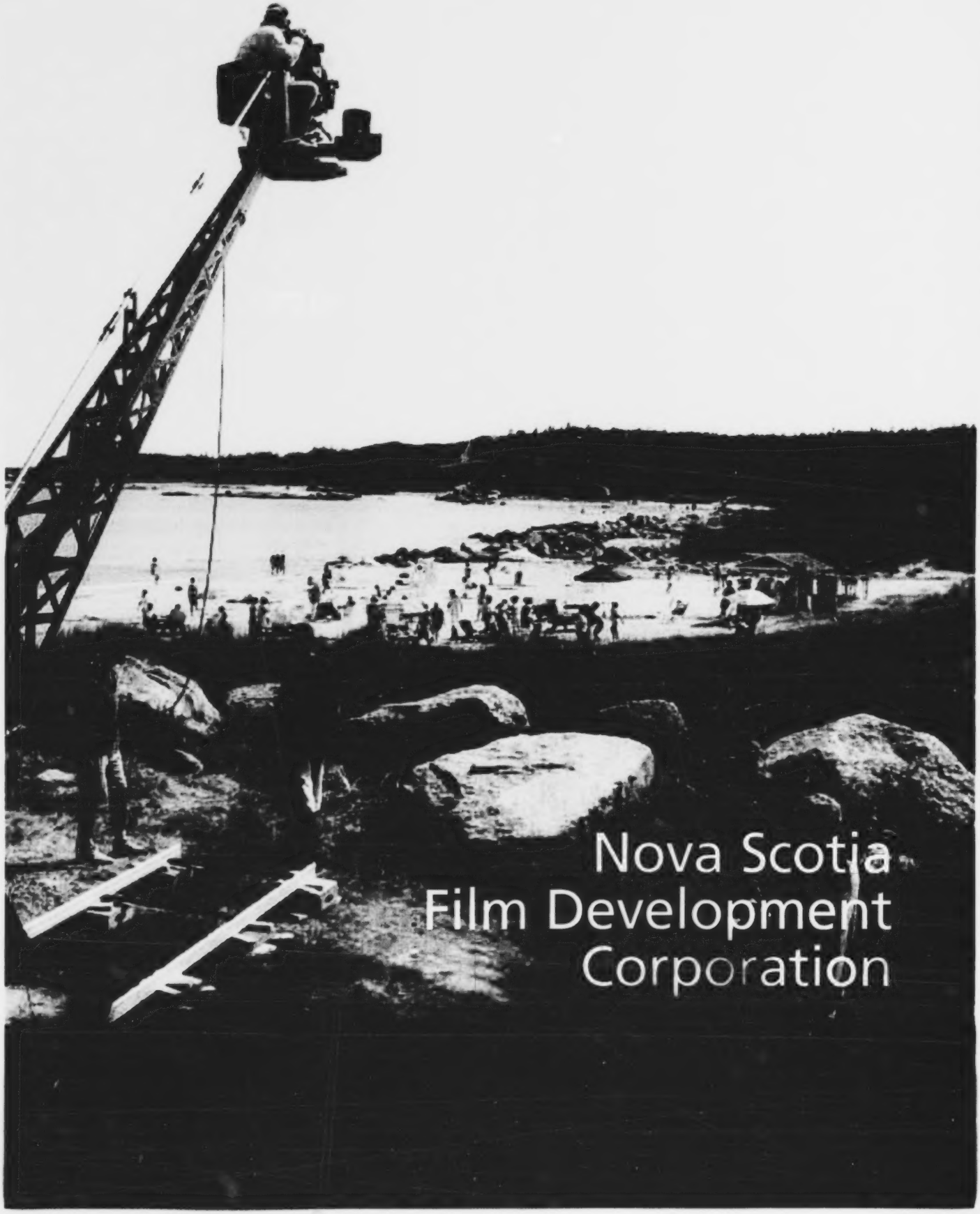
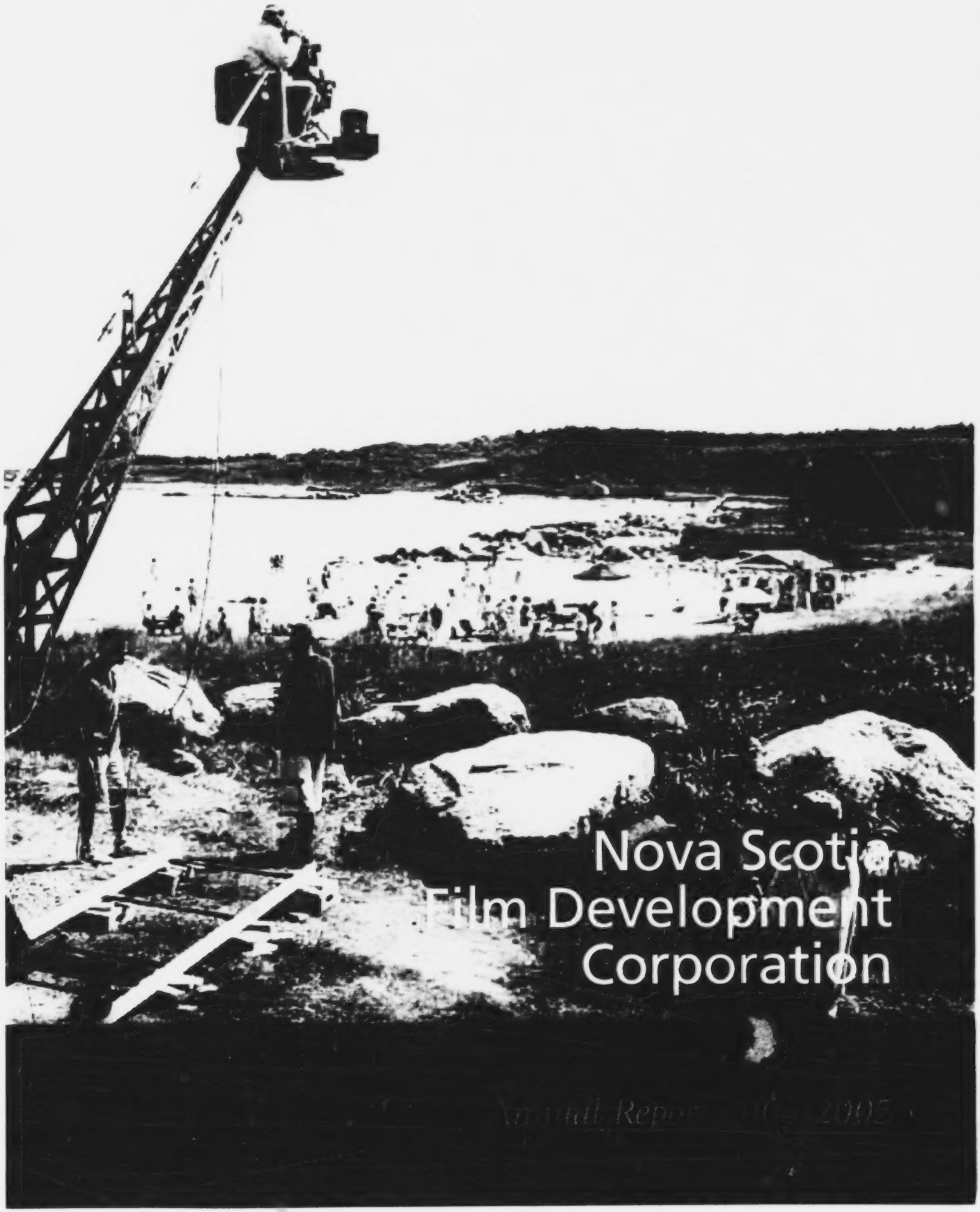


Nova Scotia Film Development Corporation



Nova Scotia Film Development Corporation

Annual Report 2005

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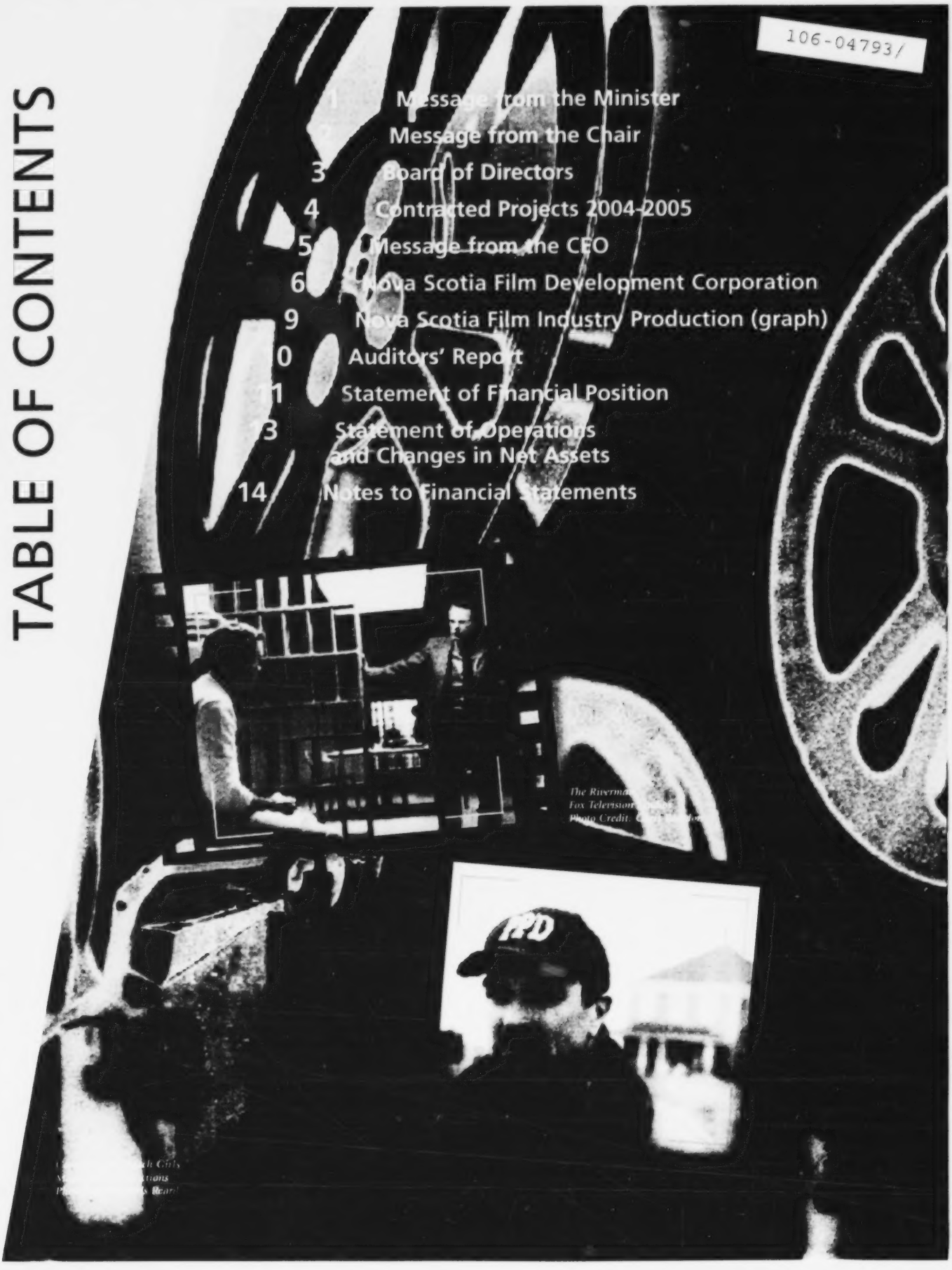

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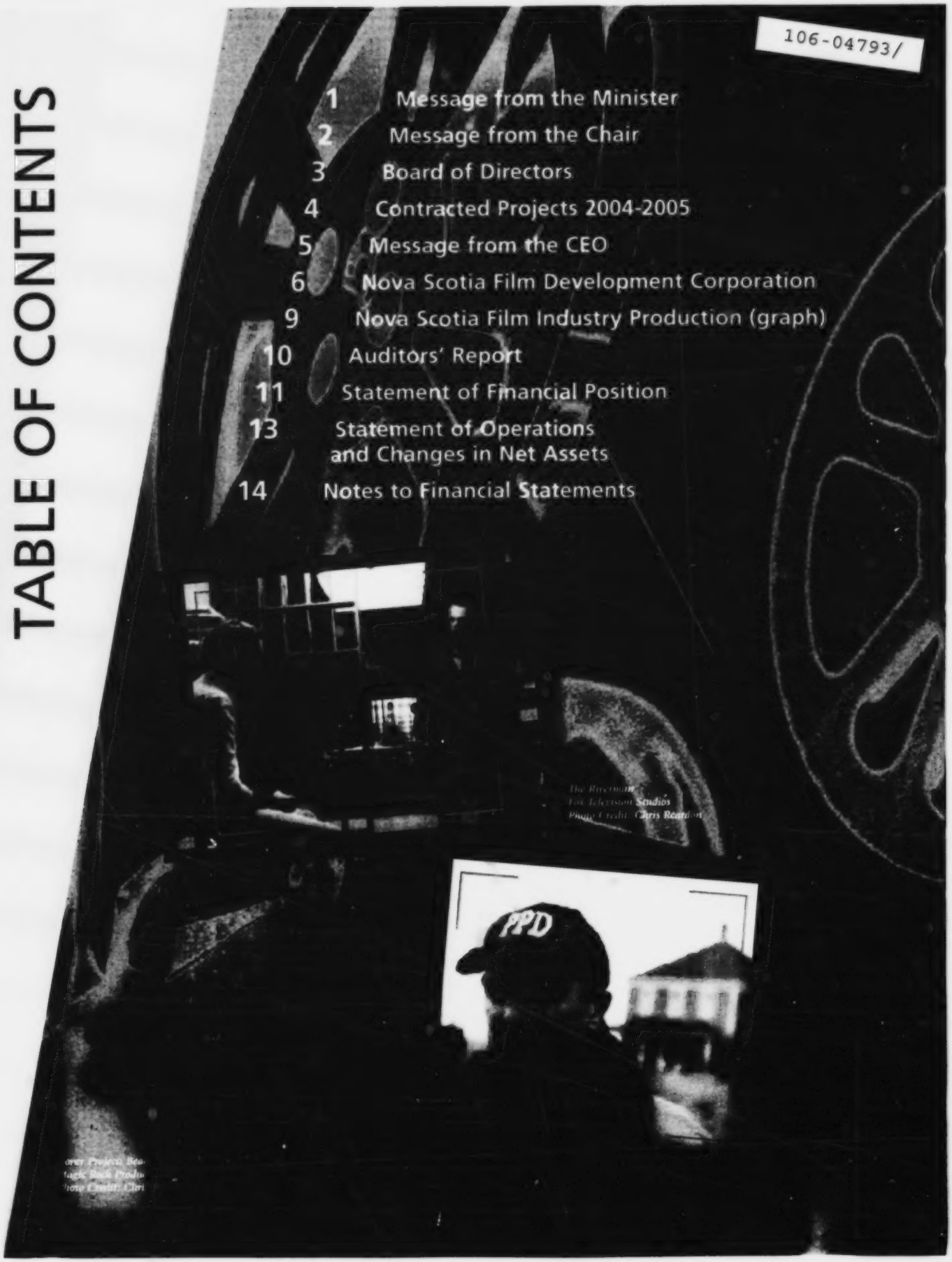
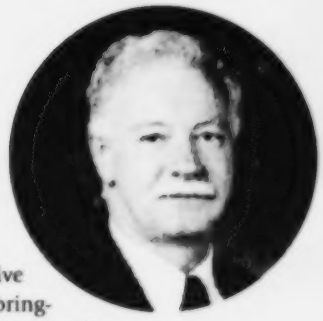


MESSAGE FROM THE MINISTER



Nova Scotia's film and television industry continued to make an impact in 2004-2005, achieving production volumes of $104 million. These volumes mean more work for Nova Scotians and more investment in the provincial economy, benefiting people across Nova Scotia.

Nova Scotia-based production companies are fully engaged in a highly competitive national television market where they achieve success in selling their stories and bringing them to the small screen. Their counterparts in the film market produce thought-provoking, quality productions that appear in theatres across the country and beyond. The results are audience, accolades, awards and continued business relationships that ensure Nova Scotia's position in Canada's film and television industry.

Nova Scotia's appeal as a film location is unmatched anywhere in the world. Our province provides stunning settings for many film and television productions that are guests in our province every year. More than 2,000 dependable, resourceful, and creative Nova Scotians from all walks of life are employed in the industry. Their expertise and creativity combined with nature's wonder make it no surprise that international companies come back again and again to film here, and that new business is continually attracted to our shores. Our film and television industry truly showcases Nova Scotia as a great place to live, work, and enjoy life to the fullest.

Congratulations to the volunteer Board of Directors, to the management and staff of the Nova Scotia Film Development Corporation. Your vision and commitment ensure that Nova Scotia maintains its position as the 4th largest production center in Canada, and you inspire the industry to strive for greater market success.

The Province is proud to partner with the Nova Scotia Film Development Corporation. In keeping with the promise of this growing sector, the Province reaffirmed that partnership by enhancing the Film Industry Tax Credit and increasing the amount of funding available to the Corporation's equity program.

As you read the pages of this annual report, you will see for yourself what makes Nova Scotia's film and television industry so successful.

Sincerely,

Ernest L. Fage
Minister
Nova Scotia Economic Development

Trudeau II

MESSAGE FROM THE CHAIR

On behalf of the Board of Directors, I am pleased to present the Government and the people of Nova Scotia with the 2004-2005 Annual Report on the activities of the Nova Scotia Film Development Corporation (NSFDC).

Our mandate is to work with our partners to expand Nova Scotia's film, television, and new media industry by stimulating investment and employment and by promoting Nova Scotia's producers, productions, locations, skills and creativity in global markets. With production activity of $104 million this year, we are proud to report that our goal is being met.

In partnership with an industry-driven taskforce, the Corporation was busy this year completing work on an industry strategy. With the strategy in place, the film industry is poised for even more positive growth in the next few years. Recommendations in the strategy revolve around skills development, international markets, and the competitiveness of existing financial support programs. The Corporation will focus on implementing many of these recommendations in 2005-2006.

Continuing cooperation is the way to sustain the current level of production activity. That is why, the Corporation once again partnered in a "Thank You Halifax Regional Municipality, Thank You Nova Scotia" campaign this year, through our membership in the Film Advisory Committee (FAC). The campaign recognizes the support provided by residents of the province. The FAC is made up of members from the production community, unions and guilds, Halifax Regional Municipality, and suppliers who meet regularly to share information and address concerns.

The success of Nova Scotia's film industry could not have been achieved without the active support of the Province of Nova Scotia. The Premier, the Honourable John Hamm, and the Minister of Economic Development, the Honourable Ernest Fage, remain strong supporters of film, television, and new media with a commitment to vigorously promote Nova Scotia as a film, television, and multi-media production location. They clearly demonstrated their belief in the industry this year by increasing the film tax credit from 30% to 35%, maintaining a 5% regional bonus, and introducing a 5% frequent filming bonus. They also extended the tax credit for ten years to December 31, 2015 and increased the NSFDC's equity fund by $600,000. These sound investments will guarantee that Nova Scotia remains an attractive option for both local and guest production.

The Board is proud of the CEO, Ann MacKenzie, and her team at the NSFDC. The level of activity in the film industry and community partnerships is a testament to their hard work and commitment to their clients.

To conclude, the Board of the Nova Scotia Film Development Corporation is proud to work with the many talented and committed people who are involved in growing our film, television, and new media industry. We are especially pleased to be able to make a significant contribution to the economy of Nova Scotia.

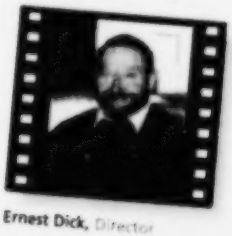
Bonnie Kirby
Chair

THE BOARD OF DIRECTORS

Bonnie Kirby, Chair

Rita Lamontagne MacDonald, Director

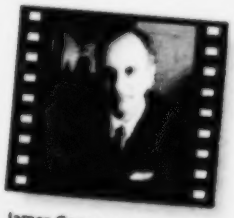
Paul MacKinnon, Director



Ernest Dick, Director

Ken Eisner, Director

Richard Hebb, Director



James Gogan, Director

Bonnie Kirby
Chair 2005, Halifax

Rita Lamontagne MacDonald
Director 2001 - 2005, Martin's Point

Paul MacKinnon
Director 2002 - 2005, Halifax

Ernest Dick
Director 2002 - 2005, Granville Ferry

Ken Eisner
Director 2003 - 2005, Truro

Richard Hebb
Director 2005, Dayspring

James Gogan
Director 2005, Sydney

Delilah & Julius

CONTRACTED PROJECTS MARCH 31, 2005

Trailer Park Boys V

Summary - Program Funds Contracted & Tax Credits Finalized for the year ended March 31, 2005

Equity Investments	$1,874,000
Development Loans	$115,853
Special Projects	$81,587
Total Program Funds	$2,071,440
Finalized Tax Credits	$12,687,829
Total Contracted Program Funds & Finalized Tax Credits	**$14,759,269**

Equity Investments Contracted March 31, 2005

Production	Producer	Amount
Body of Knowledge	Blue Sky Films Ltd.	$50,000
Buried at Sea	Arcadia Entertainment Ltd.	$78,000
Cape Breton Ghost Story	Look Out! Pictures Inc.	$15,000
Chef At Home	Ocean Entertainment Ltd./ Cellar Door Productions Inc.	$130,000
Chef At Large IV	Ocean Entertainment Ltd./ Cellar Door Productions Inc.	$130,000
Classical Now, The - Series II	Redstar Films Ltd.	$82,000
Dance Atlantic	New Scotland Pictures Inc.	$80,000
Delilah and Julius	Collideascope Digital Productions Inc./Decode Entertainment Inc.	$250,000
Give Me That Old Time Religion	New Scotland Pictures Inc.	$39,500
Little Claus and Big Claus	Portara Pictures Inc.	$15,000
Marine Machines II	Arcadia Entertainment Ltd.	$219,000
Poko, Cycle II	The Halifax Film Company Ltd.	$150,000
Shadow Hunter	Ocean Entertainment Ltd./ Sorcery Films Ltd.	$120,000
The Singular Series II	Creative Atlantic Communications Ltd.	$70,000
Trailer Park Boys V	TPB Productions Ltd.	$100,000
Trailer Park Boys: Christmas Special	TPB Productions Ltd.	$100,000
Visions From the Edge: The Art of Science Fiction	Road House Films Inc.	$44,000
Whole New Thing	Palpable Productions Inc.	$150,000
Zarathustra, Prophet of Light	PAL Productions Inc.	$31,500
TOTAL		**$1,874,000**

Development Loans Contracted March 31, 2005

Aspotogan	Saffron Productions Inc.	$15,000
Bitter, Sweet and Beautiful	Chronicle Pictures Inc.	$15,000
Far From Tibet	Creative Atlantic Communications Ltd.	$2,840
Feng-Shui, Field of Power	Ziji Film and Television Ltd.	$4,161
Home Ice	Big Motion Pictures Ltd.	$11,500
Kivvu	Triad Film Productions Ltd./Drumsong Communications Inc.	$15,000
North End Girl	Ocean Entertainment Ltd.	$10,000
The Can	imX communications inc.	$9,700
Toronto Minutes	Second Wave Productions inc./ The Monster Productions Inc.	$7,500
A Vertical Moment	imX communications inc.	$12,210
Web Warriors	Tell Tale Productions inc.	$8,742
When I Grow Up (The Underachievers)	Jampolsky Pictures Inc.	$4,200
TOTAL		**$115,853**

Special Projects Contracted March 31, 2005

Film 5, Film Training and Production Program	Atlantic Filmmakers Cooperative	$30,000
24th Atlantic Film Festival and Strategic Partners Conference 2004	Atlantic Film Festival Association	$30,000
30th Anniversary Project	Atlantic Filmmakers Cooperative	$10,000
Film and Television Professional Development Program	Moving Images Group	$7,087
Scholarship/Mentorship Program	Centre for Art Tapes	$4,500
TOTAL		**$81,587**

MESSAGE FROM THE CEO

Nova Scotia's film, television, and new media industry continued its solid performance in 2004-2005, recording its seventh consecutive year of production activity exceeding the $100-million mark. The final figure came in at $104 million, with local production at $68 million and guest production contributing another $36 million.

The Nova Scotia Film Development Corporation (NSFDC) continued developing its relationship with Los Angeles-based companies. We organized a trade mission, led by Premier John Hamm, that enabled 15 companies in the film and television community to promote their companies and projects. The mission ended with a gathering of more than 300 guests at the official residence of Canada's Consul General in California, Colin Robertson, to celebrate Canada's 137th birthday. Missions like these are crucial to creating awareness in global markets of the compelling stories created by Nova Scotia filmmakers.

Nova Scotia filmmakers continued to develop world-class productions in 2004 - productions that garnered multiple awards and attracted large audiences. Feature films shot on location in Nova Scotia included *Whole New Thing*, co-written by Cape Breton's Daniel MacIvor, and produced by Palpable Productions, and *The River King*, starring Edward Burns and produced by imX communications. Also during the year, Emotion Pictures continued shooting on *3 Needles*, directed by Thom Fitzgerald and starring Lucy Liu, Sandra Oh, and Olympia Dukakis.

On the television side, Nova Scotia filmmakers are nationally recognized for their talent and creativity. In 2004, they were nominated for a total of 40 Gemini Awards and won 18.

So much spectacular work has come out of Nova Scotia this past year that we can only include a sample here. The cult series, *Trailer Park Boys*, won the Gemini for Best Comedy Program or Series. The show's creators shot season five last year and are currently collaborating with renowned director Ivan Reitman on a feature film scheduled to shoot in the summer of 2005.

The Halifax Film Company's popular stop-motion animation series, *Poko*, shot their second season this year, the most popular children's show on all networks in Canada last year. Show producer, Michael Donovan, took home the Best Pre-School Program or Series Gemini award for *Poko*. He also won six awards for *Shattered City: The Halifax Explosion*. The company also began animation on a second stop-motion series, *Lunar Jim*, during the past year.

Producers Wayne Grigsby and David MacLeod of Big Motion Pictures continually create award-winning high-value dramatic programming. This past year they added *Trudeau: Pierre Elliott* to their list of credits. Mr. Grigsby collected the prestigious Margaret Collier Award at the 2004 Geminis for his impressive body of work.

The co-founders of Collideascope Digital Productions, Steven Comeau and Michael-Andreas Kuttner, received the Entrepreneur of the Year award from the Canadian Film and Television Production Association (CFTPA) for their accomplishments and innovative business models. They were busy this year producing their animated series *Deliah & Julius*.

Local producer/director Paul Donovan recreated the Vatican in the province while shooting *The Conclave*, a dramatic movie about Rodrigo Borgia, intended for theatrical release. Ocean Entertainment continued to build on its reputation for creating entertaining cooking shows with the production of *Chef at Home* and the fifth season of *Chef at Large*.

These achievements are many but they represent only a small portion of the exceptional filmmaking activity being created in Nova Scotia.

Nova Scotia's profile as a prime location for film shooting also continues to grow, and once again guest productions brought an exciting collection of recognizable celebrities to the province. CBS filmed two movies-of-the-week (MOWs) here last year: *Suzanne's Diary for Nicholas* starred Christina Applegate, and *Stone Cold* brought Tom Selleck back to the province. The Lifetime Network shot three MOWs: *Plain Truth*, starring Mariska Hargitay; *Mom at Sixteen*, starring Mercedes Ruehl, Jane Krakowski and Danielle Panabaker; and *Ambulance Girl*, directed by Kathy Bates and also featuring her in the lead role. A&E shot *The Riverman* starring Sam Jaeger, Bruce Greenwood and Cary Elwes. In addition during the year, guest producers began production on a feature film, shot a lifestyle series, and produced an animated series.

Nova Scotia is known as a film-friendly environment, the result of hard work and cooperation among the film industry's many stakeholders, including the Film Advisory Committee. During 2004-2005, the Corporation also worked with stakeholders in the provincial government to create a Provincial Film Location Policy, expected to be launched soon. The policy will streamline procedures for shooting on provincially owned property, which will be of benefit to production companies and the industry at large.

NSFDC and the Province of Nova Scotia are proud to play a role in developing Nova Scotia's vibrant film industry. We do this through tools such as the Nova Scotia Film Industry Tax Credit, and programs like Equity Investment, Development Loan, New Media, Sponsorship, Special Awards, Partnerships in Training, Distribution Assistance, and Travel/Market Assistance.

It is my pleasure to work with Nova Scotia's many talented filmmakers, a supportive Board of Directors, the provincial government, and the dedicated team members of the NSFDC. The film, television, and new media industry needs constant collaboration on all fronts, and Nova Scotia's film community always meets the challenge.

Ann MacKenzie, CA, CPA
Chief Executive Officer

THE NOVA SCOTIA FILM DEVELOPMENT CORPORATION

The Corporation

Created in 1990, the Nova Scotia Film Development Corporation (NSFDC) is a Provincial Crown Corporation reporting to the Minister of Economic Development. The mission of the Corporation is to grow Nova Scotia's film, television, and new media industry with our partners by stimulating investment and employment and by promoting Nova Scotia's producers, productions, locations, skills, and creativity in global markets. The Corporation's vision is "Nova Scotia is entertaining and informing the world through traditional and new media."

Activities designed to assist the Corporation in achieving its goal of growing the film and television industry include:

- assist and promote the development of the private-sector film, television, and new media industry in the province in the areas of funding, marketing, promotion, training and education;
- create and stimulate employment and investment and encourage the making of film, television, and new media productions in the province;
- assist and co-ordinate financial or other assistance by any departments, boards, commissions or agencies of the province to the film, television, and new media industry in the province and co-ordinate any financial or other assistance by any departments, boards, commissions or agencies from other jurisdictions to the film, television, and new media industry in the province; and
- encourage and promote public/private partnership opportunities allowing Nova Scotia producers to access additional private sector funds.

A Board appointed by the Government of Nova Scotia directs the affairs of the Corporation. The administration of the Corporation and its programs and the implementation of the Board's decisions are carried out by the Chief Executive Officer and other full-time staff. The Corporation's budget covers administration and all of its industry development programs. In 2004-2005 the Corporation's total revenue was $3.0 million, of which $2.4 million was available for industry investment activities.

The Personnel

The Chief Executive Officer, Ann MacKenzie, has been with the Corporation since 1997. She reports to the Board of Directors and has chief responsibility for all film industry programs administered by the Corporation. A Director of Finance, Program Administrator, Finance Assistant, and an Office Administrator assist the Chief Executive Officer with film investment/incentive programs and other corporate initiatives. A Locations Officer and a Communications & Locations Assistant assist Ann in marketing Nova Scotia as a film location. The NSFDC has a strong and cohesive team that is able to apply its considerable combined talents toward meeting the Corporation's objectives of growing the film, television, and new media industry in Nova Scotia, and the current year results are just an indication of more to come.

NSFDC Team

Adrienne Muise, Finance Assistant
Ann MacKenzie, Chief Executive Officer
Chantelle White-Evans, Office Administrator
Jennifer MacIntyre, Locations Officer
Linda Wood, Program Administrator
Melissa Hawkes, Communications & Locations Assistant
Shelley Creighton, Director of Finance

Growing the Film Industry in Nova Scotia

The Nova Scotia Film Development Corporation runs two program streams to develop the film industry in Nova Scotia.

The Corporation's financial programs include equity investments, development loans, new media equity investments, feature film distribution assistance, the CBC/NSFDC Bridge Award, travel/market assistance, partnerships in training, and sponsorship.

The second category of programs is aimed at guest filmmakers. The Locations Department promotes the province as the perfect place to film, which results in co-productions or fully financed foreign films. The Locations Officer maintains an extensive library of photographs representing the entire province, and the Corporation fills numerous location requests throughout the year. Locations packages include information on Nova Scotia, services available to filmmakers, location photographs, and the Nova Scotia Film and Video Production Guide. High-quality and informative, the Guide is a key tool used by producers and production companies when considering shooting in Nova Scotia.

Additionally, the Nova Scotia Film Development Corporation administers the Nova Scotia Film Industry Tax Credit Program. The Film Industry Tax Credit is a labour-based, fully refundable tax credit, which is available to local and guest producers.

Investing in local filmmakers and marketing the province's beautiful locations contributes to the development of a stable and expanding film industry in Nova Scotia.

Local Production

Film Industry Development Programs

The NSFDC administers a variety of economic incentive programs. These programs are accessible to Nova Scotia producers who may be acting alone or in co-productions with out-of-province producers. In the 2004-2005 fiscal year, there were nine financial programs available for Nova Scotia producers: Equity Investment; Development Loan; New Media Equity Investment; Feature Film Distribution Assistance; CBC/NSFDC Bridge Award; Travel/Market Assistance; Nova Scotia Film Industry Tax Credit; Partnerships in Training; and Sponsorship. In 2004-2005, the Corporation made $2.4 million available for industry investment activities.

During the year, the Corporation financially supported 35 local projects through its investment programs, generating $68 million in production activity. Nineteen of these projects accessed both the industry development and tax credit programs and accounted for $28 million of the production activity. Sixteen of the projects were supported by the tax credit program only with combined budgets of $40 million.

Equity Investment, New Media Equity Investment & Development Loans

The Corporation will invest in a qualifying Nova Scotia production up to 40% of the production budget spent in the province to maximum dollar participation per project of $250,000. This investment triggers other sources of financing and enables producers to make their films.

The Corporation provides equity investments up to one-third of the production budget spent in the province to a maximum dollar participation per project of $30,000 for new media projects such as CD-ROM, DVD, and Internet-delivered programs that are related to film or television projects.

The Corporation provides development loans of $15,000 per project to a maximum of one-third of the budget spent in the province. These loans enable producers to develop their ideas to a stage where potential investors will be interested.

During the year the Corporation invested in one feature film, one television mini-series, eleven television series, and six television specials. In addition, the Corporation supported the development of five feature films, one television mini-series, two television series, and four television specials.

Feature Film Distribution Assistance

The Corporation will contribute a recoupable advance up to a maximum of $50,000 to the theatrical release costs of a Nova Scotia produced dramatic, documentary or animated feature film, with the goal of enhancing the marketing campaign for the film and increasing the Canadian box office returns.

CBC/NSFDC Bridge Award

The Corporation partners with CBC Television, Atlantic Region to offer the CBC/NSFDC Bridge Award for emerging producers. This juried program helps emerging producers enter the industry. Successful applicants win a $10,000 CBC broadcast licence, a $20,000 NSFDC equity investment and $10,000 in services from the CBC. Two awards are offered each year in February. Emerging film producer Paul McNeill and producer team Sean Doyle, Chris Fost and Tom Ryan each won a Bridge Award in 2004. Mr. McNeill produced *Little Claus and Big Claus*, a half-hour drama, and the Doyle, Fost and Ryan team produced a half-hour animated children's drama, *Cape Breton Ghost Story*.

Travel/Market Assistance

The Corporation sponsors key festivals and markets, works with Atlantic Canada Film Partners (ACFP) to increase the international profile of Atlantic Canada's film and television industry, and provides financial assistance to local filmmakers to attend markets and festivals with the goal of selling completed works or attracting co-production partners for projects in the development stage. In addition, the Corporation regularly hosts Broadcaster/Distributor Forums to increase Nova Scotia filmmakers' access to key decision-makers. Funding for ACFP is provided by the Atlantic Canada Opportunities Agency on a cost-shared basis.

During the year the Corporation participated as a sponsor in the following markets: Toronto International Film Festival, Cannes Film Festival, MIPCOM television market, Atlantic Film Festival, American Film Market, Show Canada, and the Bell New Media Fund Mission to Australia. The Corporation also actively marketed its programs and the province's locations at the following events: Canadian Film & Television Production Association Prime Time in Ottawa, Cannes Film Festival, Hot Docs Canadian International Documentary Festival, Banff Television Festival, Toronto International Film Festival, MIPCOM television market, Atlantic Film Festival, American Film Market, business development trips to New York and a formal Trade Mission to Los Angeles led by the Premier of Nova Scotia, the Honourable John Hamm.

Additionally, the Corporation provided financial assistance to 35 producers to attend relevant markets as follows:

Travel Market Assistance	# of Producers
Banff Television Festival	3
Bell New Media Fund Mission to Australia	1
Cannes Film Festival	1
Cinemart/Rotterdam Film Festival	1
Hot Docs Canadian International Documentary Festival	6
Input 2005	1
Miami Gay and Lesbian Film Festival	1
MIPCOM television market	4
No Borders International Co-Production Market	1
Picture This... Disability Festival	1
Reel Screen Summit	1
Sprockets Toronto International Film Festival for Children	2
Strategic Partners	10
Toronto International Film Festival	1
UFO Crash Retrieval Conference	1

Partnerships in Training

The continued professional development of Nova Scotia filmmakers is important to the Corporation. Therefore, we invest in non-profit organizations dedicated to film industry training and development.

The Atlantic Filmmakers Cooperative's *Film 5 Program* gave four emerging teams of directors, writers and producers the opportunity to produce original work in 2004-2005, under the guidance of a host of mentors, teachers and managers. With their films routinely screening at the Atlantic Film Festival, the program is a launch pad for increasingly higher-profile work.

Investment in the *Scholarship/Mentorship Program* at the Centre for Art Tapes, and in the *Film and Television Professional Development Program* at Moving Images Group resulted in a series of inter-disciplinary learning events as well as more traditional opportunities to build skills.

Sponsorship

The Atlantic Film Festival 2004 - The Atlantic Film Festival hosts public screenings of current films for adults and children, as well as competitions, workshops, and seminars that assist in the development of the industry. Each year, the Festival showcases work from around the world. Most importantly, it features works by Nova Scotian filmmakers, giving local audiences an opportunity to see original films by the region's up-and-coming talent. The Corporation views the Atlantic Film Festival as an important development opportunity for the Nova Scotia film industry and is, therefore, pleased to be a partner.

Atlantic Filmmakers Cooperative (AFCOOP) 30th Anniversary Project - The 30th Anniversary Project of the Atlantic Filmmakers Cooperative created ten three-minute films by people who have made outstanding works of film and who embody AFCOOP spirit. The project also involved the production of a one-hour documentary film on the anniversary project itself. The Atlantic Film Festival screened AFCOOP's achievements at this year's event.

Locations Department

Attracting new film business to Nova Scotia means jobs for Nova Scotians. It also means expenditures in the province across a broad spectrum of supporting business and services. Guest film and television projects have the additional benefit of showcasing Nova Scotia as a great place to live, visit, and do business.

The Locations Department directs three core activities that contribute to bringing in new film business - business development & marketing, location services, and facilitation during production.

Business Development & Marketing

The Locations Department works to ensure that production companies and key production executives recognize the value of filming in Nova Scotia - value that comes not only through our spectacular geographical setting, but through our creative, dependable and resourceful film industry personnel and strong supporting infrastructure. Nova Scotia's Film Industry Tax Credit, one of the most competitive in the country, completes the offering that Nova Scotia brings to the marketplace.

Highlights of NSFDC's marketing activities in 2004/2005 includes:

- Hosting a Trade Mission to Los Angeles, led by Premier John Hamm, enabling 15 local production companies to meet with a variety of film, television and animation companies;
- Business prospecting in New York, where the Corporation made valuable contact with several film and television production companies and continued the relationship with past clients;
- Sponsoring, in partnership with Telefilm Canada, the Department of Foreign Affairs and other provincial funding agencies, a Canadian Pavilion in four key markets: the Cannes Film Market, the American Film Market, MIP-TV and MIPCOM. This pavilion served as a business center for Canadian producers to facilitate sales and future business activities;
- Continued business prospecting in Los Angeles making contact with companies such as Disney, HBO, Pariah and Warner Bros. among others.
- Hosting familiarization tours of the province for production representatives of Once Upon a Time Productions and Sony Pictures Television.

The Locations Department coordinated attendance at all trade shows, markets and other promotional events in which the Corporation participated over the past year. The Department purchased media for the Corporation, conducted familiarization tours of the province, generated new business leads and undertook direct selling. The Department also managed the publication of the industry's signature annual publication, the Nova Scotia Film and Video Production Guide.

Location Services

As a member of the Association of Film Commissioners International, the NSFDC is a full-service film commission offering a range of services to clients. These services include script breakdown, access to a digital location library, location scouting and ongoing production liaising as required.

The Locations Department responded to 77 production-specific requests and over 200 inquiries generated through trade shows and attendance at markets. The services of an experienced location scout were provided to seven different companies.

For 2004-2005, nine productions filmed in Nova Scotia resulting in just over $36 million in foreign production spending in the province. These productions included:

Guest Production March 31, 2005

Movies of the Week (MOWs)	The Riverman	A&E
	Plain Truth	Lifetime
	Suzanne's Diary For Nicholas	CBS
	Stone Cold	CBS
	Mom at Sixteen	Lifetime
	Ambulance Girl	Lifetime
Feature Film	Fade Out	Greenstreet Films
Television Series	Taking it Off	Anaid
	Bromwell High Productions	Decode Entertainment

Facilitation

When a film or television production selects Nova Scotia as its location, the Corporation's job does not end there. We like to think it's just the beginning. We set to work with our partners on the Nova Scotia Film Advisory Committee - IATSE 849, IATSE 667, DGC-Atlantic Council, ACTRA, HRM Film Office and several private-sector representatives - to ensure that the filmmaker's experience in Nova Scotia is a positive and memorable one. This is crucial to encouraging repeat business and managing Nova Scotia's reputation in the marketplace as a premiere shooting location.

The *"Thank You HRM, Thank You Nova Scotia"* campaign is a good example of how the industry works to build and maintain a positive film environment in this province. In its second year, the campaign extended a thank you to residents of Nova Scotia for their hospitality and support of Nova Scotia's film industry. To ensure the sustainability of location filmmaking, it is important to let the general public know they are a key part of the province's success.

Nova Scotia Film Industry Tax Credit

The Nova Scotia Film Industry Tax Credit is a refundable corporate tax credit administered by the Nova Scotia Film Development Corporation on behalf of the Department of Finance. The Film Industry Tax Credit is designed to encourage film and television production in Nova Scotia and is a key financial resource for local productions. It also serves as the primary incentive in attracting guest productions to the province. Production companies employing Nova Scotians may be eligible for a tax credit, based on eligible Nova Scotia labour expenditures that are directly attributable to the production. Effective January 1, 2005, the base rate for the Film Industry Tax Credit increased to 35% of eligible labour, to a maximum of 17.5% of production cost. A regional bonus, which can increase tax credit rates by up to 5% of eligible labour and 2.5% of production cost, is available for productions that shoot outside the Metro Halifax area. A frequent filming bonus of 5% of eligible labour was introduced for qualifying productions that started principal photography on or after January 1, 2005.

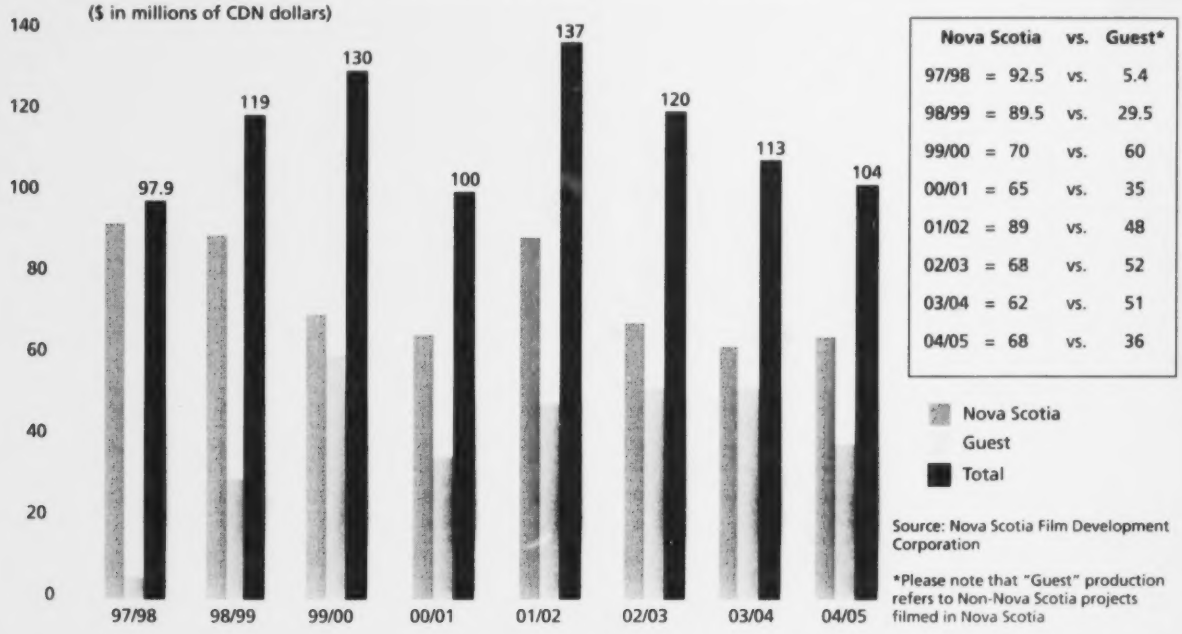
For the period April 1, 2004 to March 31, 2005, 56 tax credit certificates were issued for film and television productions. Local producers accessed $9 million while guest producers accessed $3.7 million for a total of $12.7 million.

Finalized Nova Scotia Film Industry Tax Credits
April 1, 2004 – March 31, 2005

Format	# Of Projects*	Tax Credit
TV Series	21	$8,151,131
Feature Film	3	950,275
TV Movie	8	2,721,212
TV Special/Documentary	14	823,441
Other	4	41,770
Total	**50**	**$12,687,829**

*Note: The number of projects does not equal the number of certificates issued due to multiple claims for projects that exceeded one year of production.

Nova Scotia Film Industry Production Activity from 1998–2005



Nova Scotia	vs.	Guest*
97/98 = 92.5	vs.	5.4
98/99 = 89.5	vs.	29.5
99/00 = 70	vs.	60
00/01 = 65	vs.	35
01/02 = 89	vs.	48
02/03 = 68	vs.	52
03/04 = 62	vs.	51
04/05 = 68	vs.	36

Nova Scotia
Guest
Total

Source: Nova Scotia Film Development Corporation

*Please note that "Guest" production refers to Non-Nova Scotia projects filmed in Nova Scotia

AUDITORS' REPORT

Levy
Casey
Carter
MacLean
Chartered Accountants

AUDITORS' REPORT

TO THE MEMBERS OF THE BOARD OF THE
NOVA SCOTIA FILM DEVELOPMENT CORPORATION:

We have audited the statement of financial position of Nova Scotia Film Development Corporation as at March 31, 2005 and the statement of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

C. Ross Casey Inc.
Terry Carter Ltd.
Stuart S. MacLean Inc.
J.C. McKeown Inc.
Gary T. Silverman Inc.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2005 and the results of its operations and changes in net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

LEVY CASEY CARTER MACLEAN
CHARTERED ACCOUNTANTS

Halifax, Nova Scotia
May 20, 2005

58 Bedford Highway
Halifax, Nova Scotia
B3M 2J2
Phone: (902) 445-4445
Fax: (902) 443-4845

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2005

ASSETS

	2005	2004
Current		
Cash and short term investments	$ 995,807	$ 914,863
Other receivables	87,151	105,987
Prepaid expenses	18,710	21,111
	1,101,668	1,041,961
Property and equipment (note 3)	16,379	21,400
	$ 1,118,047	$ 1,063,361

LIABILITIES

Current		
Payables and accruals, trade	$ 23,318	$ 79,454
Commitments payable (note 4)	1,056,516	906,216
Deferred revenue	37,534	73,902
	1,117,368	1,059,572

NET ASSETS

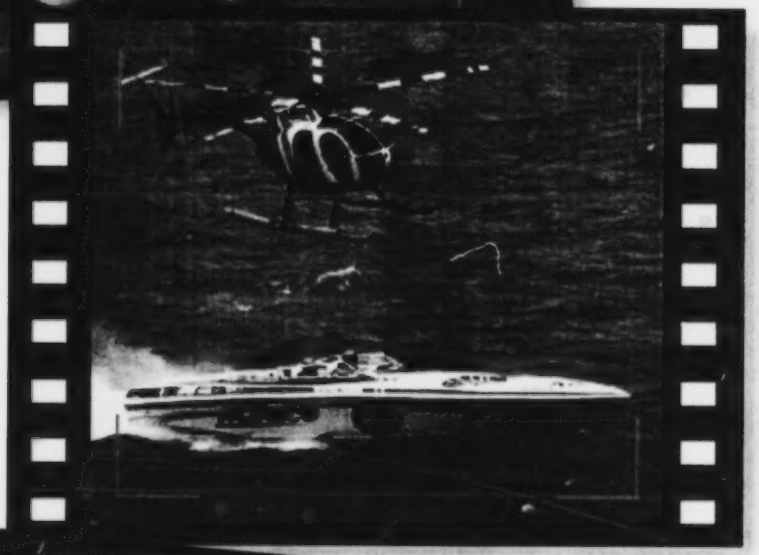
Net assets unrestricted	679	3,789
	$ 1,118,047	$ 1,063,361

Approved on behalf of the Board

Chair

Member

Poko
The Halifax Film Company Ltd.



Marine Machines
Arcadia Entertainment Inc.

The Conclave

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2005

	2005	2004
Revenue		
Contributions from the Office of Economic Development	$ 2,508,700	$ 2,738,526
Recovery of equity investments and development loans (notes 6 & 7)	340,080	258,049
Interest and other income	176,510	121,485
	3,025,290	3,118,060
Expenditures		
Equity investments (note 6)	2,057,485	2,346,630
Project development loans (note 7)	113,560	88,398
Special projects	232,154	139,374
Training assistance, net of recoveries	(9,534)	(10,334)
Advertising and marketing	194,959	182,889
Administrative expenses	439,776	375,121
	3,028,400	3,122,078
Deficiency of revenues over expenditures	(3,110)	(4,018)
Net assets, beginning year	3,789	7,807
Net assets, end of year	$ 679	$ 3,789

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2005

1. Authority

The Nova Scotia Film Development Corporation was incorporated through an act proclaimed by the Governor in Council on August 1, 1990. The chief purpose of the Corporation is to promote the development of, and to create and stimulate employment and investment in, the Nova Scotia film and video industry by providing financial and other assistance.

The Corporation has been designated by the Minister of Finance to administer the Nova Scotia Film Industry Tax Credit Program, including registration of productions and review of tax credit applications.

2. Significant accounting policies

a) Statement of Cash Flows
A statement of cash flows is not provided since disclosure in the statement of operations and changes in net assets is considered adequate.

b) Program Loans and Equity Investment
Program loans and equity participation are recorded as a liability and charged to current expenditures when the funding is formally committed. Recoveries derived from equity investments and development loans are recorded as revenue when received. It is not feasible to accrue recoveries from equity investments and project development loans since these recoveries remain uncertain until received, as they are based upon the financial results of the recipients' activities.

c) Amortization
Amortization is calculated using the declining balance method, at rates based on the estimated useful life of the assets, as indicated note 3.

d) Use of Estimates
The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

4. Commitments

Because of the lead times required to obtain all the resources necessary to complete film and video productions, the Corporation approves applications for funding which may not be disbursed until subsequent fiscal periods.

5. Costs Paid by the Province of Nova Scotia

During the year, services were provided to the Corporation by government departments and the estimated value of these services are as follows:

	2005	2004
Legal services	$ 25,000	$ 25,000
Rent	25,000	25,000
	$ 50,000	$ 50,000

The value of these services is not reflected in these financial statements.

3. Property and equipment

		2005			2004
	Rate	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	50%	$ 15,942	$ 8,463	$ 7,479	$ 5,275
Computer software	50%	18,356	11,689	6,667	13,334
Equipment	20%	3,317	1,084	2,233	2,791
		$ 37,615	$21,236	$16,379	$21,400

6. Equity investments

Production assistance in the form of equity investment is provided to eligible producers for the financing of productions that will provide employment and economic benefit to Nova Scotians. Equity investments are made with the condition of repayment through participation in revenues by projects. Revenue is recorded as received.

During the year the Corporation received $314,820 (2004 - $179,311) in the recovery of equity investments. The total of equity investments of the Corporation to March 31, 2005 is $25,118,927 (2004 - $23,061,442). As at March 31, 2005, $1,575,217 has been recouped.

7. Project Development Loans

The Corporation provides loans to qualified applicants to support the essential process of development which takes an idea through the stages of research, writing, market analysis and costing, which must precede the completion of production financing arrangements. Support for the development of a project does not necessarily imply support for a production. Project development loans are interest free and are to be repaid the earlier of the first day of principal photography or on the optioning, sale or transfer of the property to a third party. Total development loans outstanding on March 31, 2005 were $2,012,916 (2004 - $1,923,199). Development loans of $25,260 (2004 - $78,738) were recouped during the year.

8. Public Service Superannuation Fund

All full-time employees of the Corporation are entitled to receive pension benefits pursuant to the provisions of the pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The Public Service Superannuation Fund is administered by the Department of Finance. During the year, the Corporation contributed $19,386 to the fund (2004 - $15,796).

9. Economic Dependence and Related Party Transactions

The Province of Nova Scotia is a related party of the Corporation. The Corporation is dependent on the Office of Economic Development for annual funding. Details of any transactions between these related parties are separately disclosed.

10. Financial Instruments

Fair value of financial instruments

Financial instruments of the company consist mainly of cash and short term investments, other receivables and accounts payable and accrued liabilities. The carrying values of these financial assets and financial liabilities approximate their fair values.

Interest Rate Risk

The corporation manages its temporary investments based on its cash flow needs and with a view to optimizing its interest income.

The effective interest rate on the temporary investments during the year varied from 1.80% to 2.28% (2004 - 2.16% to 3.00%). The interest rate at the end of the year was 2.28% (2004 - 2.16%) with investments held in money market funds.

11. Comparative Figures

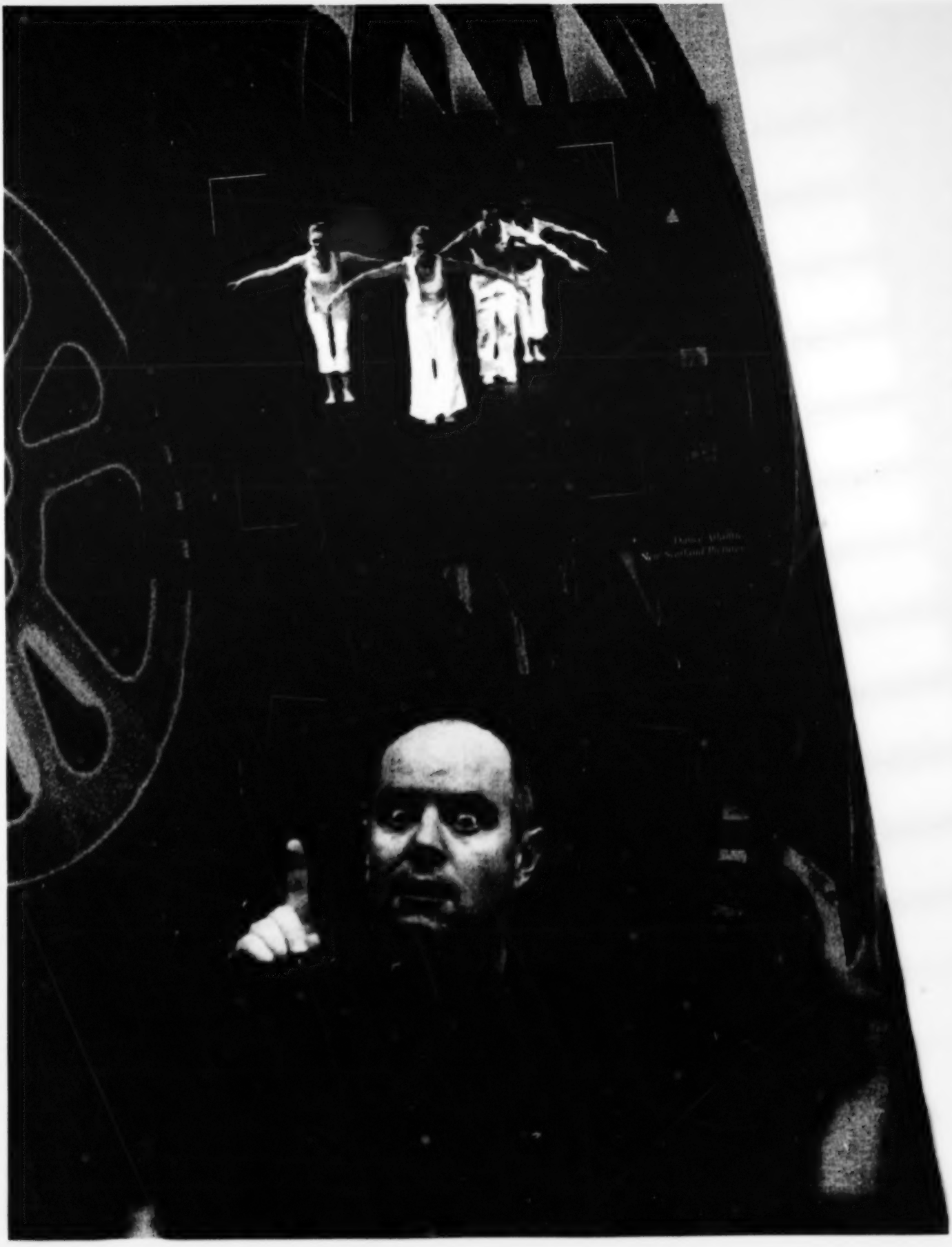
Certain of the comparative figures are restated to conform with current year's presentation.

Whole New Thing

Ambulance Girl
von Zernicki/Sertner Films

Suzanne's Diary for Nicholas
Fox Television Studios
Photo Credit: Chris Reardon

Chef at Large IV



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